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FM AMEMBASSY BUDAPEST
TO RUEHC/SECSTATE WASHDC PRIORITY 2226
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE

C O N F I D E N T I A L SECTION 01 OF 02 BUDAPEST 001877

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DEPARTMENT FOR EUR/NCE; PLEASE PASS TO NSC FOR ADAM STERLING

E.O. 12958: DECL: 11/19/2012

TAGS: [PREL](#) [PGOV](#) [ENRG](#) [RU](#) [HU](#)

SUBJECT: TRIANGULATION UNDER FIRE: A STEP BACK TOWARD THE
EAST?

REF: BUDAPEST 1350 AND PREVIOUS

Classified By: P/E COUNSELOR ERIC V. GAUDIOSI; REASONS 1.4 (B) AND (D)

11. (U) This is an action message. Please see para 10 for
action request.

12. (C) A number of recent steps indicate continued efforts
by the GoH to chart a course between Washington and Moscow.
These latest steps include moves back toward the East in what
will likely be a continuing series of improvised initiatives
responding to perceived) and real) pressure.

MISSION TO MOSCOW

13. (C) The latest issue to receive media coverage is the
October trip of an MFA delegation to Moscow for bilateral
consultations, to discuss U.S.-related issues. Although the
periodic exchanges began in 1993, media outlets associated
with the opposition have leveled the charge that holding a
meeting in Moscow to discuss "a NATO ally" are unprecedented.

14. (C) The MFA had advised us of the trip in advance and
briefed us upon their return. They have been less deft in
their public reaction to the charges from the media and the
opposition. State Secretary Fekszai has been quoted in the
right-wing Magyar Nemzet denying any discussion of the U.S.,
and the Prime Minister's Foreign Policy Advisor was
unprepared to respond to the Ambassador's questions regarding
the discussions in a subsequent meeting. The MFA is also
reportedly initiating an investigation into alleged leaks of
information regarding the trip.

15. (S) According to the MFA's read-out and a GoH memo
provided to us by staff of the Parliamentary Foreign Affairs
Committee (please protect), the discussions between the MFA
delegation and Russian MFA official Neverov (NFI) covered a
wide range of issues:

Neverov reportedly emphasized the "good relations" between
the two presidents and the usual focus of discussions on
international rather than bilateral topics. He expressed his
confidence that the results of the U.S. elections would not
impact on the maintenance of good relations with the U.S.

Neverov lamented, however, that the emphasis in the
U.S.-Russian dialogue had shifted from economic to security
issues. Nonetheless, he asserted that Moscow would hew to
its "no surprises" policy and not "make things more difficult
in Iraq."

Neverov reiterated Russia's position on Iran and underscored
Moscow's concerns with the MD site in the Czech Republic)
but not the site in Poland. He noted his belief that the
U.S. will move forward on MD and commented that Russia would
take "the necessary steps." He also repeated the line taken

here by the Russian Ambassador that Russia's stand on the CFE is designed to "stimulate the process."

The Hungarian delegation emphasized Hungary's fundamental trans-Atlantic orientation and the strategic priority of its cooperation with the US. They outlined Hungary's support for a democratic transition in Cuba, and responded to Neverov's sensitivity regarding international criticism of democratization in Russia with the observation that "comments on internal affairs have become the norm in foreign affairs."

EASTERN INTERESTS

¶6. (C) The flap over the Moscow meeting occurs in the context of a sharp spike in debate over Russia policy. The opposition has criticized the GoH's nominee to head the National Security Office (NSO) for alleged ties to Russia, and will doubtless comment on news that the Russian PM will visit Budapest on December 7.

¶7. (C) Commercial contacts also continue apace. Hungary's OTP bank has agreed to provide financing for a proposed Emfesz power plant in eastern Hungary which would produce about 25% of Hungary's power needs and would run on GAZPROM-controlled gas. Such a project could serve as a pre-emptive strike against true diversification by tying up limited Hungarian investment in projects dependent on GAZPROM.

¶8. (C) It could also bind Hungarian businesses more tightly to Eastern bedfellows. OTP concurrently announced its acquisition of a Russian bank (Donskoy Narodniy) for a reported USD 41 million. This is consistent with a pattern

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in which, after a deal is struck involving increased purchases of Russian gas, a reputable Hungarian company is rewarded with a "sweetheart deal" in Russia. We note that Donskoy Narodniy's reported assets total in excess of USD 100 million.

THE POWER OF BALANCE

¶9. (C) Comment: The MFA memorandum notes Russian references to Hungary's "special status among CEE countries given its balanced policy." There is both external pressure and an internal predisposition toward "balance." After the Nabucco conference this fall, in light of their continued solidarity on Kosovo, and in preparation for the PM's trip to the Baltics, the GoH may feel the need) or the heat) to mind its Eastern flank. Speaking in Washington recently, FIDESZ MP Zsolt Nemeth suggested that the Gyurcsany government is not motivated by a conscious gravitation toward Moscow but rather motivated by the calculation of transient advantage in the absence of any clear strategic framework. This would suggest that the process of triangulation will continue. End Comment.

¶10. (C) Action Request: This at least gives us the opportunity to continue to shape the debate. Toward that end, we recommend the initiation of periodic USG-GoH consultations to cover strategic interests of mutual concern (or, alternatively, a similar forum expanded to include all V-4 capitals). These exchanges would respond directly to PM Gyurcsany's call for broader and deeper consultations with the US, help level the playing field regarding diplomatic engagement with Budapest, and help ensure that our strategic perspective is introduced into the GoH's calculus. End Action Request.

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